

October 26, 2012

To: Executive Board

Subject: **September Financial Statements and Investment Summary**

Recommendation

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2013.

Analysis

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the third month of the fiscal year ending June 30, 2013.

Foothill Transit's cash position of \$57.6 million is \$1.0 million less than the previous month. This decrease of cash is the net change between the uses of cash and sources of cash. Uses of cash include a decrease in accounts payable of \$5.1 million and the decrease in long-term debt of \$1.0 million. Sources of cash include a decrease in due from other governments of \$2.7 million and \$1.4 million of excess operating grants.

September 2012 fare revenues were \$1.74 million, which is 13.3 percent more than the monthly budgeted amount. This increase includes a prior year EZ Transit pass revenue payment of \$349,920 and when fare revenues are adjusted for this amount, the resulting revenues are \$145,475 less than the monthly budget. September fare revenues also include revenue accruals based on estimates provided by our contractors and not on actual amounts, which is the normal process. The contractor's estimates were \$100,000 to \$150,000 less than actual amounts. When all these factors are accounted for, the resulting fare revenues are very close to the prior month amount and the prior year monthly average of \$1.54 million. This is a continuation of the trend established in the prior fiscal year; revenues are neither increasing nor decreasing. While the economy is beginning to show signs of improvement (sales tax revenues are increasing), unemployment remains constant at approximately eight percent.

Operating costs through September were \$15.3 million, which is \$2.2 million less than the budget. These costs are \$288,000 or 1.85 percent less than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

Executive Board Meeting – 10/26/12
Fiscal Year 2013 Financial Statements and Investment Summary
Page 2

Balance Sheet Analysis (Attachment A):

Assets

The balance sheet as of September 30, 2012 shows total assets at \$222.2 million. This total consists primarily of \$151.2 million in fixed assets and \$57.6 million in cash and investments. The cash and investments balance includes \$10.0 million invested in the Local Agency Investment Fund (LAIF); \$13.1 million in non-interest bearing accounts held with Bank of the West; \$20.2 million in an interest bearing account with Bank of the West; \$5.0 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West in non-interest earning accounts qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of September 2012 was 0.348 percent; slightly less than the previous month's rate of 0.377percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than three years, LAIF interest rates have continued a downward trend until reaching current levels and then with small variations up and down.

Liabilities

The accounts payable balance is \$2.7 million. Our operations contractor offered Foothill Transit a discount for the payment of August and September invoices prior to September 29. These payments eliminated the liabilities for these services normally included in month-end payables. The amounts payable include fuel costs of \$720,812; Monrovia Dial-A-Ride service of \$55,000 and \$163,180 due Metro.

Operating Revenue and Expense Analysis (Attachment C):

Fare Revenue

September 2012 fare revenues were \$1.74 million. This amount as stated previously included \$349,920 of EZ Transit pass revenue attributed to the previous fiscal year and estimated September farebox cash collections allowing payment to the operations contractor prior to September 29th. The farebox cash collections were conservative estimates, \$100,000 to \$150,000 less than actual amounts. With these adjustments, the September fare revenue would approximate the August 2012 fare revenues, 1.82 percent more than the monthly budgeted amount and \$152,000 more than July 2012 revenue.

Executive Board Meeting – 10/26/12
Fiscal Year 2013 Financial Statements and Investment Summary
Page 3

Revenues are tracking very close to prior year amounts indicating stable ridership and an economy that is neither improving nor weakening. This may be the case even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$17.6 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately .36 percent more than planned for in the budget. Foothill Transit has sufficient funds to meet all of its obligations.


Expenses

Year-to-date operating expenses through September 2012 were \$15.3 million, compared with the budget of \$17.4 million. This difference of approximately \$2.2 million resulted in a 12.39 percent favorable variance. The majority of this favorable variance is the result of \$508,000 in lower than budgeted service costs and fuel cost savings of \$1.0 million with the balance spread over several departments and not attributable to any one account. It should be noted that the September 2012 year to date expenses of \$15.3 million are \$288,000 less than the prior fiscal year.


Farebox Recovery Ratio

The September year-to-date farebox recovery ratio was 28.63 percent; 1.87 percent more than the performance target of 26.76 percent. The farebox recovery ratio was derived by dividing the total fare revenue less the prior year EZ pass revenue, netting \$4,370,547 by the total operating expense figure of \$15,263,794. This ratio has increased 1.14 percent from the August 2012 figure of 27.49 percent.

Sincerely,



Richard Hasenohrl
Director of Finance



Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of September 30, 2012

Assets

Current Assets:

Cash	\$ 33,508,900
Investments	24,048,360
Due from government agencies	11,282,264
Other receivables	2,051,146
Other assets	140,918
Total Current Assets	<u>71,031,589</u>
Property & Equipment (net of depreciation)	151,190,605
Total Assets	<u><u>\$ 222,222,194</u></u>

Liabilities and Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 2,660,245
Current portion of long term debt	0
Deferred Revenue	<u>42,513,276</u>
Total Liabilities	<u>45,173,521</u>

Equity

Fund Balance:	<u>177,048,673</u>
Total Equity	<u>177,048,673</u>
Total Liabilities and Equity	<u><u>\$ 222,222,194</u></u>

Summary of Cash and
Investment Account
For September 30, 2012

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	(1,291,847)	(1,291,847)
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-Money Market	0.100%	Demand Deposit	7,000,058	7,000,058
Bank of the West-Money Market	0.050%	Demand Deposit	10,022,428	10,022,428
Bank of the West-Money Market	0.250%	Demand Deposit	4,510,925	4,510,925
Bank of the West-CTAF ³ Fund	0.100%	Demand Deposit	982,494	982,494
Bank of the West-Money Market	0.250%	Demand Deposit	4,908,684	4,908,684
Subtotal Cash on Hand			33,508,900	33,508,900
Unrestricted Investments:				
Chase Business Saving	0.200%	Demand Deposit	5,041,405	5,041,405
Bank of the West-CDARS	Var	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	Var	Cert. of Deposit	2,988,000	2,988,000
Treasury Bills			1,998,787	1,998,787
LAIF Investment	0.381%	Demand Deposit	10,020,169	10,020,169
Subtotal Unrestricted Investments			24,048,360	24,048,360
Total Cash and Investments			57,557,260	57,557,260

Notes:

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit
Statement of Revenue and Expense
For Month Ended September 30, 2012

	Actual Sept -12	Budget Sept -12	Variance Favorable (Unfavorable)	Actual Sept - 11
Operating Revenue				
Farebox	\$2,667,734	\$3,135,000	(14.90%)	\$2,799,075
Pass Sales	770,370	711,125	8.33%	759,376
TAP Cash Purse	543,279	380,550	42.76%	485,306
MetroLink	86,617	7,100	1119.95%	12,893
EZ Transit Pass	652,467	378,625	72.33%	676,855
Total Operating Revenue	4,720,467	4,612,400	2.34%	4,733,505
Non-Operating Revenue				
Transportation Development Act (TDA)	4,360,311	4,313,650	1.08%	4,358,388
STA	1,015,014	1,015,025	(0.00%)	1,077,526
Prop A 40% Discretionary	3,256,568	3,256,575	(0.00%)	3,353,555
Prop A 40% BSCP	979,690	1,180,625	(17.02%)	949,197
Prop C BSIP	211,107	211,100	0.00%	206,683
Prop C Base Restructuring	453,434	453,425	0.00%	443,934
Prop C Transit Service Expansion	75,561	75,550	0.01%	73,978
Prop A & C Interest				
Transit Security-Operating	177,149	177,875	(0.41%)	154,416
Measure R Operating	1,971,577	1,770,625	11.35%	2,194,836
Excise Tax Credit				
FTA Sec 5307 Operating				734,633
FTA Sec 5307 ARRA				
CMAQ				
Gain on Sale of Fixed Assets				
Auxiliary Revenue	374,795	375,000	(0.05%)	313,229
Total Non-Operating Revenue	12,875,206	12,829,450	0.36%	13,860,375
Total Revenue	17,595,673	17,441,850	0.88%	18,593,881
Available Capital Funding				
Capital Grants	2,368,212			951,502
Other				
Total Revenue and Capital Funding	19,963,886	17,441,850		19,545,382
OPERATING EXPENSES				
Operations	13,037,480	14,427,125	9.63%	12,974,020
Marketing and Communications	290,222	449,475	35.43%	321,839
Information Technology	278,499	401,475	30.63%	550,258
Administration	369,496	482,350	23.40%	409,579
Procurement	103,079	216,700	52.43%	110,488
Sales and Service	439,509	461,800	4.83%	437,190
Finance	318,126	325,800	2.36%	323,134
Safety and Security	142,232	236,475	39.85%	159,941
Planning	130,551	237,800	45.10%	113,091
Building Management	154,599	184,100	16.02%	152,891
Total Operating Expenses	15,263,794	17,423,100	12.39%	15,552,431
Capital and Other Expenses				
Capital	2,384,495		N/A	993,815
Interest			N/A	
Dial-A-Ride	178,433		N/A	181,524
Special Services	30,350		N/A	8,426
Other Misc. expense	450		N/A	(19,818)
Total Capital and Other Expenditures	2,593,728		N/A	1,163,947
Increase (Decrease) of Revenues Over Expenditures	\$ 2,106,364			\$ 2,829,005